

Aim

The aim of the tax will be to encourage businesses to include recycled content above 30% in their products by forcing a competitive edge through taxation.

Announced in the 2020 Budget, a second consultation running until 20 August 2020 (*extended from 20 May due to many sectors with an interest in this policy being affected by COVID-19*) has been released asking for views on the refined areas of the Plastic Packaging Tax design, following on from the previous consultation in 2019. The Tax, which is due for implementation in April 2022, will directly affect importers and manufacturers of plastic packaging in the UK. It was also confirmed in the budget that there will be a £200 per tonne value for the upcoming tax on plastic packaging with less than 30% recycled content.

FAQs

We have collated answers to common queries we're receiving from packaging members to help you determine how this tax might affect your business. If you have a question which isn't answered below, please do contact our policy team on consultation@complydirect.com who will be more than happy to help.

Q: Who does this tax affect?

A: Directly impacted – will have to pay the tax on packaging they handle:

- Importers of finished products contained in plastic packaging with less than 30% recycled content
- Importers of empty packaging consisting of plastic with less than 30% recycled content
- Manufacturers of plastic packaging in the UK with less than 30% recycled content
- Businesses with plastic data table submissions in tables 1a conversion, 3a selling and 3a pack / filling will likely be those most impacted directly

Indirectly impacted – will likely experience increased material prices due to the cost of the tax being offset down the supply chain:

- Any business handling plastic packaging with less than 30% recycled content
- Consumers – prices of goods likely to go up
- Retailers – a necessity for increased recycled content in food contact material may have negative impacts on availability of certain goods
- Re-processors – increased demand for recycled content may push up recycle prices

Q: Is this additional to the PRN costs I already pay?

A: Yes, this is completely separate and although HMRC consider it to “complement” the EPR changes, the two will run parallel.

Q: Is there a minimum amount of packaging handled to qualify?

A: Yes, businesses will need to handle more than 10 tonnes of plastic packaging to be required to pay the tax.

Q: Do I just register through my compliance scheme?

A: No, as this is being managed as a formal type of taxation, businesses whom exceed the registration threshold of 10T will need to register directly with HMRC to ensure they pay the tax. The tax will be paid and reported on a quarterly basis.

Q: What happens if I export my products?

A: Exports are not obligated under this tax, however, the government is consulting to determine the best method of removing exports from the payable figures. It is expected that the tax would be payable on items as usual, and then credited when proof of export can be provided.

Q: Are there any potential exemptions?

A: Potentially - there are two major exemptions to consider which are currently under discussion:

- Medical packaging – Currently not exempt, but the government is considering whether an exemption is necessary
- Cellulose based polymers – most “traditional” plastics (even when “bio-sourced”) will still be included, but non-modified cellulose polymers will be eligible for exemption.

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- Imported transit packaging (shrink wrap etc) around products which is used solely as a transportation device will be excluded due to the complexity of data gathering.

Q: What about multi-material packaging?

A: The current standing is that a mass balance test is used to determine the predominant material of an item of packaging; if the predominant material is plastic, the entire item would likely be considered to be plastic under this tax.

Q: What about packaging with multiple components?

A: Each individual component is counted as a separate entity in this tax and would be considered separately. The definition of componentry is currently defined as being “separable by hand”. A bottle, cap and label would likely be considered different components and therefore, the 30% would be separately calculated for each component rather than the final consumer packaging.

Q: I sell packaging as a product (e.g. rolls of clingfilm), do I need to register for the tax?

A: Yes, the current standing in the consultation is that packaging type products which do not fulfil a packaging function until they are used by the end consumer should still be considered obligated unless they are used solely for long term storage.

Q: What is classed as “recycled plastic” for the purpose of defining recycled content?

A: The government definition includes post-consumer plastic waste and pre-consumer plastic waste, with the exception of scrap and re-grind material. This definition is in line with ISO 14021:2016.

Q: How do I prove my packaging has greater than 30% recycled content?

A: This is very much an area for debate at present, the main proposed method is through using “mass balance”. Mass balance would involve demonstrating (or gaining demonstration from a supplier) that a manufactured batch of packaging is at least 30% by weight made up of recycled content. The feasibility / fairness of this system is very much up for debate!

Q: Who is liable for this tax?

- A:**
- For UK manufacture – the manufacturer
 - For imports – the first business to “commercially exploit” the packaging material in the UK; likely the consignee on import documentation (this is an area of debate due to issues such as Free-On-Board “FOB” goods)
 - Liability is Joint and Several for this tax
 - HMRC expect the consignee on import paperwork to be the liable party for imported goods.

Q: What does Joint and Several Liability mean?

A: In simple terms, this makes the entire supply chain responsible for ensuring the tax has been paid and enables HMRC to collect the tax from parties in the supply chain other than the first obligated business, if they are unable to collect from the first obligated party.

For any further queries not answered here, please contact our policy team on consultation@complydirect.com